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E.O. 12958, Sec. 3.4

NND 969012

By ST/VS Date 4/2/78

Attention Mullin 4/13  
THE SECRETARY OF STATE  
Keep this study together.  
WASHINGTON

February 2, 1971

S/S 7101242  
(S/S 7100894 is an attachment to  
this document.)

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Copies To:

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NEA

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AID

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S/S:RF

MEMORANDUM FOR THE PRESIDENT

Subject: FY 1971 Aid Program for India

India presents one of the greatest problems in relating our aid to US national interests and objectives. Recognizing this difficulty, I asked for a special study of our India program last September. I have satisfied myself, as a result of this study, that I should recommend to you for this year an aid program for India at the levels set out in the attached memorandum. However, in view of the constraints on our resources, our policy objectives world wide and our interests in India, there are still important questions to be answered about aid policy for India. We are currently carrying out a NSSM study on our overall policy in South Asia which will address the inter-relationship of our aid and our interests in the area. The study will present you with various options for courses of action in future years and I will provide my own recommendations at that time.

Without prejudging the conclusions of the study, I believe that India has an importance to us in terms of the Nixon Doctrine as a country which can contribute to a stable order in Asia. Our aid to India has supported an independent India which has been able to resist communist subversion and the threat of Chinese expansion.

I do not believe we should defer approval of FY 1971 aid levels until you have had a chance to examine the NSSM's options for future years. The PL 480 and development loan pipelines are already depleted; further delay could cause harmful economic effects and lead to speculation during the current Indian election campaign

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PA/HO, Department of State

E.O. 12958, as amended

June 9, 2005

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that we are withholding aid for political purposes.  
I doubt that the results of the elections will change  
our assessment of India's importance to us, though we  
will be able to readjust our programs should a hostile  
government come to power.

  
William P. Rogers

NEA/INC:ACEQuainton/emg 1/26/71

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By ST/VS Date 4/27/98

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THE SECRETARY OF STATE  
WASHINGTON

S/S 7100894

February 2, 1971

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Copies To:

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NEA  
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MEMORANDUM FOR THE PRESIDENT

Subject: FY 1971 A. I. D. Program for India

Recommendation:

That you authorize us to proceed with an FY 1971 program for India of up to \$225 million in development loans, \$150 million in Title I PL 480 concessional sales of surplus agricultural commodities, and \$10.8 million in technical assistance.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Background:

We and the other eleven nations in the India Consortium have extended aid to India not primarily for security reasons, but rather to help meet the resource needs of the free world's largest development effort. At the same time, we have been well served by the relative stability of India, compared to other major areas of Asia. There has been no need for direct outside involvement in India even in face of the localized and brief conflicts with China and Pakistan. With its huge population, central location in Asia, long Indian Ocean shoreline, broad industrial base, military capability for deterring conventional Chinese pressure, established democratic government and national unity, and interest in regional stability and in trade expansion, India is an important element in long-run Asian stability and self-reliance. Economic development,

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with resulting increases in food supplies and job opportunities, is essential to India's achieving such long-run stability.

Our past aid to India, while much less in per capita terms than aid for other major recipients, has contributed in decisive ways to the survival and development of the country. Our financial and technical assistance has played a major role in India's "Green Revolution" and in the growth of its private industrial sector; it has supported the development of some of India's leading educational facilities, and promoted a rich intellectual exchange between U.S. and Indian educational and scientific communities; and through our participation in the India Consortium, it has contributed to significant improvements in both policy and implementation in agriculture, foreign trade, and family planning.

#### Development Loan Assistance

The World Bank has recommended that the Consortium provide \$1.1 billion gross, excluding food aid, in loans to India in FY 1971. We share the Bank's judgment that this level of lending is desirable to accelerate growth and employment and facilitate policy improvements in the trade and industry sectors. But the likely U.S. share of \$1.1 billion exceeds what other priorities will allow us to program for India. Taking these priorities into account, we have programmed up to \$225 million for the FY 1971 India program. Other donors will provide about \$675 million, which would put the U.S. share of the total at about 26%.

In the mid-1960's, the U.S. share of Consortium loan assistance was around 40%. In FY 1967, when the Consortium negotiated the economic policy package still in effect, the U.S. provided 42% of the Consortium assistance, and other donors together provided 58%. In the past few years the other donors have increased their contributions to the Consortium, but U.S. contributions have declined, so that the U.S. share fell to about 25% (\$194 million in AID loans) in FY 1970.

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The goals of our FY 1971 assistance are, in general, to support the economic development and political stability objectives discussed above, and, more specifically, to provide the imports to support moderately expansionist fiscal and monetary policies and to encourage the maintenance and possible extension of existing market-oriented economic policies. Our assistance will be in the form of a non-project loan, to finance raw materials, industrial intermediate goods and spare parts, commodities essential for the preservation of the momentum of recent agricultural and industrial growth in India.

India is now in a very good position for growth. The agricultural policy reforms begun in 1966 have been maintained, and even expanded, and while achievement of the 5% agricultural growth target is far from guaranteed, growth prospects from the new agricultural technology remain encouraging. India's family planning program has undergone an important expansion, assisted in part by a \$20 million U.S. grant which has been the spearhead of a Consortium initiative on family planning. Exports have been given high priority, and a number of measures have been taken over the past few years to encourage their expansion. On balance economic policy decisions since the 1969 split of the Congress Party have veered far less in the direction called for by leftist Young Turks than some feared. Although India is often said to be a socialist country, over 85% of industry and virtually all of agriculture are in the private sector. As is evidenced by a 20% increase in the past year in equity values of the Indian stock market, private sector industry has been reassured and encouraged by the moderate import and industrial licensing policies the GOI recently announced and by the resumption in FY 1971 of an expansionary fiscal policy.

We will continue to keep Indian growth and policy performance under review and, through the Consortium, to urge improvements in major problem areas.

The World Bank has not yet taken a decision whether to ask the Consortium to participate in a debt relief exercise, beyond the

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current three-year arrangement which runs out in FY 1971. In the event that the Bank and the GOI do make such a request, we would expect to participate, if other donors agreed that their relief would be on appropriate concessional terms.

#### Population Assistance

There will be a review in February of progress under last year's \$20 million family planning grant. If progress by then justifies further support, we would anticipate a grant of \$15 - \$20 million, out of Title X funds earmarked by Congress for population assistance.

#### PL 480 Assistance

The other major constraint on India's fiscal and monetary policy, apart from foreign exchange, is the availability and price of food-grains and edible oils. Our Title I foodgrain target for FY 1971 shipments to India is 1,500,000 metric tons, to consist of 770,000 tons to be negotiated in a new sales agreement this year, plus 730,000 tons carried over from the FY 1970 agreement you approved last year. This figure is somewhat below our estimate of the desirable level required for price stability, but we believe it will be adequate to satisfy minimum consumption requirements. Edible oils are programmed at 75,000 tons and cotton at 200,000 bales.

In addition, in order to provide for continuity of wheat shipments, we propose to include in this year's agreement a carry-over of wheat for shipment during FY 1972 in an amount comparable to the 730,000 tons from the FY 1970 agreement carried over for shipment this year. The Indian Government has publicly stated that on the basis of its improved agricultural situation, it will cease concessional imports of foodgrains after December 1971. Our projections indicate that India's ability to do without concessional shipments is still a couple of years off, and we anticipate PL 480 wheat shipments to India over this period, but the Indian Government's political commitment does raise some uncertainty about FY 1972 and FY 1973 programs. We tentatively propose to sign an additional agreement early in FY 1972

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to provide about an additional 700,000 tons, bringing the total for FY 1972 shipments to approximately 1.5 million tons, the same level as for this year. The total values of this year's agreement and of this year's shipments are both estimated at about \$150 million. This compares to last year's level of \$191.5 million in agreements and \$197 million in shipments.

Technical Assistance

For FY 1971 we propose a technical assistance program of about \$10.8 million, with continuing concentration on increasing agricultural productivity, improving India's agricultural universities, and assisting the improvement and expansion of India's considerable efforts in family planning and nutrition. During FY 1971 a personnel cut is being implemented reducing the number of AID direct-hire positions in India.

The Departments of Treasury and Agriculture concur in the recommendation contained in this memorandum.

  
William P. Rogers

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